



STATE OF THE REGION: ASIA-PACIFIC

JUNE 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
India	7.2	7.6	7.2	7.9
Japan	0.6	1.8	0.8	0.0
Indonesia	4.8	4.7	5.0	4.9
Korea	2.6	2.8	3.1	2.8
Australia	2.5	2.7	2.9	3.1
Thailand	2.8	2.8	2.8	3.2
Malaysia	5.0	4.7	4.5	4.2
World*	2.6	2.6	2.3	2.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2015	Mar-16	Apr-16	May-16
US\$ broad index	122.4	121.5	119.5	120.8
Japanese yen (JPY)	120.2	112.4	106.9	110.7
Australian dollar (AUD)	1.37	1.30	1.31	1.38
Sth Korean won (KRW)	1176	1140	1145	1190
Indian rupee (INR)	66.2	66.2	66.4	67.1
Indonesian rupiah (IDR)	13840	13236	13209	13646
Thai baht (THB)	36.0	35.1	34.9	35.7
Malaysian ringgit (MYR)	4.29	3.90	3.91	4.13

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Mar-16	Apr-16	May-16
Crude oil (Brent)	52.4	38.2	41.6	46.9
Jet fuel	64.0	44.9	48.2	54.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

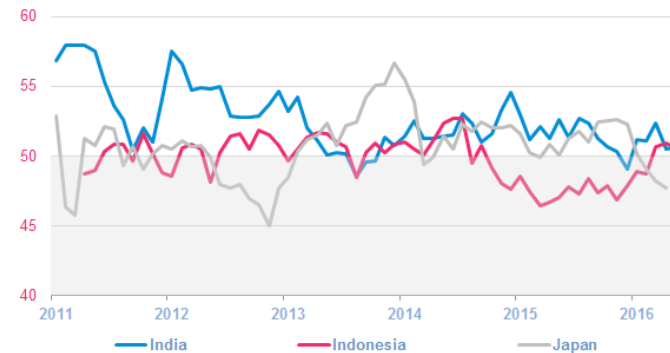
%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
Region (registration basis)				
Asia Pacific	8.7	10.1	5.1	7.3
World	6.5	8.6	5.3	4.6
Routes (segment basis)				
India domestic	19.8	25.0	26.9	21.8
Japan domestic	1.9	1.4	-1.9	0.7
Australia domestic	0.3	5.7	3.4	2.4
Asia - Europe	3.4	4.0	0.1	1.0
Within Asia	8.5	8.8	4.6	5.1
Asia - Nth America	5.8	9.3	1.5	5.7
Asia - Middle East	8.3	9.8	7.2	7.0
S/w Pacific - N/S America	8.1	13.8	9.7	17.0
Asia - Africa	-1.2	11.5	7.3	7.8

Source: IATA Statistics

- RPK growth for the Asia-Pac airlines moved higher in Apr, bucking the global trend of further easing. RPKs are up a brisk 7.3%yoy for the region's carriers, well above the 4.6% growth rate of the global industry average.
- Passenger volumes in the India domestic market remain more than 20% higher than their level of a year ago, despite a modest slowing this month. These gains

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



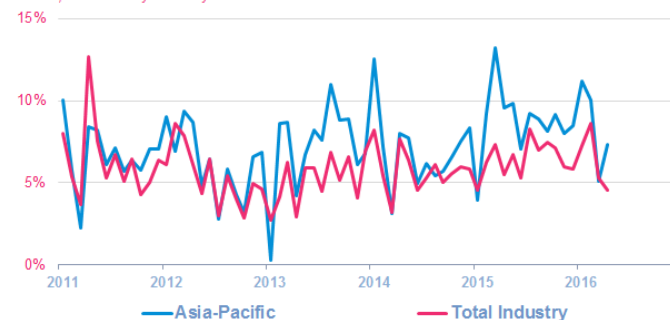
- Q1 economic data showed ongoing strong performance in India, in particular, & Indonesia. GDP growth slowed to a halt in Japan & this month's further fall in business confidence in that country comes as little surprise.
- The US\$ recovered some of its April decline, rising an even 1.0% on a trade-weighted basis. There were some sizeable swings amongst the key regional bilateral exchange rates; the AUD & MYR both fell by more than 5% against the US\$ in the month, while the JPY, IDR & KRW were all down 3-4%.
- The world price of oil & jet fuel continued its recent resurgence in May. The monthly average price (for both) rose by 12-13% (US\$5-6/bbl).

have been propelled by increased service frequencies, as well as the favorable economic backdrop.

- The more modest 0.7% & 2.4% yoy RPK growth in the domestic markets of Japan & Australia has coincided with a decline in capacity & pushed domestic load factors up by more than 2pp compared with April 2015.
- Amongst the larger inter-regional markets, Within Asia & Asia-NthAm are showing healthy RPK growth >5%yoy, but the key Asia-Eur market is up just 1% on a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
Region (registration basis)				
Asia Pacific	2.4	-12.7	-4.6	0.1
World	2.3	-6.3	-1.7	3.2
Routes (segment basis)				
Asia - Europe	-5.0	-8.0	-4.7	5.9
Asia - Nth America	5.1	-20.5	-12.0	-6.0
Within Asia	-0.4	-7.8	5.1	4.6
Asia - Middle East	7.0	-2.3	2.9	4.5
S/w Pacific - N/S America	12.5	6.7	-3.9	14.2
Asia - Africa	1.3	5.0	19.8	18.0

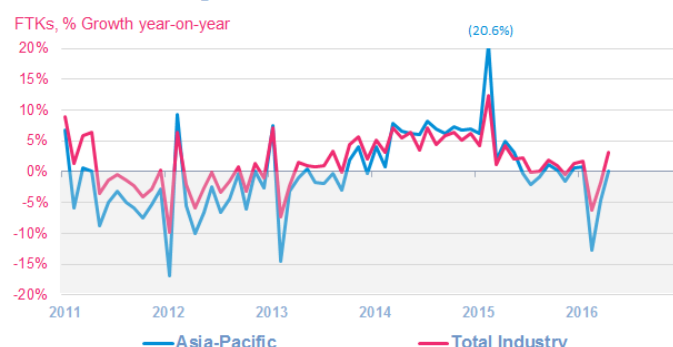
Source: IATA Statistics

- ➔ Growth in air freight volumes returned to positive territory in Apr, after two consecutive months of yoy contraction. FTKs are up 3.2%yoy industry-wide & a marginal 0.1% for Asia-Pac carriers.
- ➔ The rebound in both global & regional carrier FTK volumes partly reflects some of the disruptions from early 2015 (incl. the US west coast seaport disruption) dropping out of the yoy calculation. That said, there

appears to be some residual distortion at the route level – particularly for Asia-NthAm – from early 2015.

- ➔ With such disruptions moving aside, a clearer picture of the underlying fundamentals for cargo will emerge. But against a generally soft demand backdrop & with global trade volumes remaining subdued, this picture may not be a particularly upbeat one.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Feb-16	Mar-16	Apr-16
Passenger					
Asia Pacific	ASK	6.7	9.9	6.5	7.0
	PLF	78.6	79.0	78.5	78.4
World	ASK	5.6	9.7	5.8	4.9
	PLF	80.2	77.7	79.8	79.1
Freight					
Asia/Pacific	AFTK	5.7	4.0	4.1	2.8
	FLF	54.0	45.9	52.6	52.5
World	AFTK	6.2	7.5	6.8	6.6
	FLF	44.2	40.6	43.7	43.5

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers

- ➔ Asia-Pac airlines have grown pax capacity by 7.0% over the past year, well up on the industry average of 4.9%. The industry PLF eased a little in Apr, to 79.1% & remains above the regional outcome which was broadly unchanged, at 78.4% this month.
- ➔ The converse applies on the freight side of the industry. Freight capacity for the Asia-Pac carriers is up a modest 2.8%yoy, well below the robust 6.6% growth at the industry-wide level. The regional FLF was also effectively unchanged at 52.5% this month, retaining the 9pp gap above the industry outcome of 43.5%.

- ➔ The latest Q1 data show an EBIT margin of 7.4% for

Airline EBIT margins*

%revenues	2013	2014	2015Q1	2016Q1
Asia Pacific	2.3	2.8	6.4	7.4
Industry	4.1	5.2	5.9	8.1

Source: Airline Analyst * constant sample basis, not seasonally adjusted

- ➔ Asia-Pac carriers, a full 1pp improvement on the same time a year ago. Even so, the regional outcome sits below the industry-wide 8.1% margin, which continues to be driven by the performance of Nth American carriers.

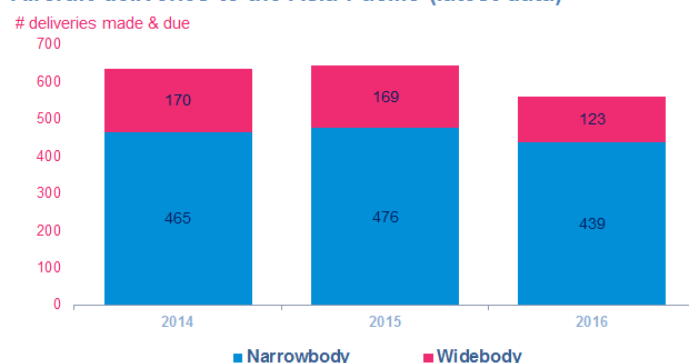
- ➔ Passenger yields in the main domestic markets – with the exception of Japan domestic, where yields are up 2%yoy – & on key regional routes continue to show widespread declines. This comes despite the recent reversal of trends in both oil/jet fuel prices & the US\$.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Feb-16	Mar-16	Apr-16
India domestic	-14.5	-15.7	-15.7	-12.1
Japan domestic	-11.8	-2.7	0.2	2.0
Australia domestic	-10.3	-15.9	-17.4	-10.6
Asia - Europe	-19.1	-11.9	-15.3	-8.1
Within Asia	-7.7	-7.7	-11.8	-11.8
Asia - Nth America	-15.1	-11.1	-9.7	-10.0
Asia - Middle East	-7.6	-8.8	-9.8	-11.7
Asia - Sth America	-18.0	-11.0	-10.9	-14.0
Asia - Africa	-17.8	-13.8	-10.3	-7.4

Source: IATA PaxIS

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend